INTRODUCTION

BACKGROUND

The triennial review is one of the Federal Transit Administration's (FTA) management tools for examining grantee performance and adherence to current FTA requirements and policies. Mandated by Congress in 1982, the triennial review occurs once every three years. It examines how recipients of Urbanized Area Formula Program funds meet statutory and administrative requirements, especially those that are included in the Annual Certifications and Assurances that grantees submit. Consistent with SAFETEA-LU, at least once every 3 years, the Secretary of Transportation shall review and evaluate completely the performance of a recipient in carrying out the recipient's program, specifically referring to compliance with statutory and administrative requirements and the extent to which actual program activities are consistent with the activities proposed.

The review currently examines 24 areas. In addition to helping evaluate grantees, the review gives FTA an opportunity to provide technical assistance on the latest FTA requirements and aids FTA in reporting to the Secretary, Congress, other oversight agencies, and the transit community on the Urbanized Area Formula Program.

In 1989, FTA issued Order 9010.1A to provide guidance to FTA staff on conducting triennial reviews as required by Section 5307 of the Federal Transit Act. Regional office and headquarters staff performed these original reviews. The following year, FTA began using contractors to assist with triennial reviews. By 1996, contractors participated in all reviews. The Triennial Review Order was updated and superseded by FTA Order 9010.1B, issued in April 1993. Additionally, in November 1994, FTA issued FTA Order 5400.1 "Oversight Reviews".

The triennial review program has been fine-tuned continuously. FTA has added areas to be reviewed to reflect new requirements (e.g., the ITS Architecture). The format and delivery schedule for the draft and final reports has been changed. The terms used when making findings have been revised. In addition, in 1993 FTA issued the first detailed Triennial Review Handbook, now known as the Contractors' Guide, which is updated annually.

From 1989-1999, FTA required reviewers to prepare a comprehensive draft triennial review report that addressed the grantee's performance in each triennial review area and specified corrective actions. These reports, due within 30 days after the site visit, documented the grantee's activities and procedures for each particular area, including actions that were fully in compliance. During this decade, reviewers made determinations that the grantee was in compliance, in compliance with follow up, or not in compliance in each review area.

In April 1999, FTA instituted major changes in the Triennial Review process that revised the report format and time frame as well as the nature of the findings. With these changes, FTA instructed reviewers to deliver draft reports on site at the exit conference, with regional office concurrence. The report format was streamlined considerably. The new reports documented the findings only; narrative information not pertinent to findings was omitted. The grantee was required to submit comments on the draft report to FTA within seven days. The regional office had another seven days to forward comments to the lead reviewer, and the final report was due 30 days after the site visit. A standard 90-day time frame for responding to the corrective actions was established, except for Drug and Alcohol findings, which usually required correction within 30 days.

Concurrent with these changes, findings were categorized as in compliance, deficient, not applicable, or not reviewed. Reviewers no longer made findings of non-compliance, and the follow-up category was eliminated. Similarly, though the final report would acknowledge any actions taken by the grantee and any findings that could be closed, the discussion of the deficiencies and the deficiency codes shown on the report's summary table remained unchanged and were included in OTrak, FTA's automated oversight tracking system.

In May 2000, FTA instituted an additional change in the triennial review finding codes. The finding of in compliance was changed to not deficient. The other finding codes remained as before.

Beginning with the reviews for FY2001, FTA also added questions in the Safety and Security area for which a finding of advisory comment is made. Beginning in FY2010, FTA added questions in the ARRA area.

This workbook provides an overview of FTA requirements. It does not replace FTA guidance. If there are any conflicts between this and other FTA guidance, the FTA guidance takes precedence. For additional details, refer to the statutes, regulations, or FTA circulars cited in the "Reference" sections. This workbook is not a substitute for these primary reference documents, but is a portable summary for the grantees' use. Grantees should periodically consult FTA's website (http://www.fta.dot.gov) for the most recent policies and directives.

REVIEW SCOPE

The triennial review is a comprehensive review of compliance with FTA requirements that is conducted of Section 5307 grantees at least every three years. Even though the review is conducted of Section 5307 grantees, it addresses all FTA programs for which the grantee is the direct recipient of funds, including Sections 5307, 5309, 5310, 5316, and 5317 and American Recovery and Reinvestment Act (ARRA). It addresses the grantee's implementation of Federal requirements and its oversight of subrecipients, operations contractors, or lessees funded by these programs.

TRIENNIAL REVIEW PROCESS

The triennial review involves the following major steps:

- Conduct the desk review
- Schedule the site visit
- Prepare the review package for regional office distribution to the grantee
- Contact the grantee
- Review grantee input and begin preparation of the draft report
- Finalize site visit schedule
- Conduct the site visit
- Prepare the final report
- Finalize review package and source documents
- Provide technical assistance
- Close out corrective actions

<u>Conduct the desk review</u>. The desk review provides an opportunity to review information systems such as TEAM-Web, NTD and the internet, gather documents on file in the regional office and to discuss specific issues with the regional staff. The reviewers begin to complete the triennial review package at this time. Information available in the regional office varies with the size and complexity of the grantee, but in general, the reviewers can access:

- TEAM-Web data to obtain information on open grants, including budgets, balances remaining, disbursement activity, financial status and progress reports and Certifications and Assurances
- Civil rights files
- Audit reports, if available, including any pertinent Government Accountability Office (GAO) or Office of Inspector General (OIG) audits
- Planning files, including key documents and results of the most recent planning certification review
- Complaints regarding civil rights, charter bus service, school bus service, etc.
- Project management oversight quarterly reports for major capital projects
- Buy America waiver requests
- Prior triennial review reports, findings, and files
- Other oversight reports and findings (Financial Management Oversight reports, Procurement System Reviews, etc.).

In addition, the contractors meet with regional staff to discuss specific issues included in the triennial review questions. The staff can identify particular concerns that should be highlighted during the review.

<u>Schedule the site visit</u>. During the desk review, a contractor or regional staff member contacts the grantee to identify a convenient date for the site visit. Typically. the site visit takes about one and one-half to two days for a small to mid-sized grantee, and several days for a larger, multi-modal grantee.

<u>Prepare the review package</u>. The review team prepares a package for the region to mail and email to the grantee giving detailed information about the site visit. The package includes a cover letter, preliminary site visit schedule, information regarding the grantee profile, a list of documents required for the review, and the questions that remain to be answered. The site visit schedule addresses the order in which the review areas will be covered and the time of day at which the topics will be addressed.

The cover letter is signed by the Regional Administrator or the Director of the Office of Operations and Program Management. It is typically addressed to the chief executive officer with a carbon copy to the grantee's triennial review point of contact. The package is sent to the regional office at least eight to 10 weeks prior to the site visit to allow time for the regional office to send the package and the grantee to gather the requested documentation, prepare written answers to the questions, and send the materials to the review team.

The list of documents assigns each item to one of two categories: information that should be sent to the review team leader in advance of the site visit and documents that the grantee should have available on site. The documents requested in advance are due four to six weeks prior to the site visit. Grantees are encouraged to submit the requested information electronically (e.g., on CD or flash drive) whenever possible. Grantees are requested to complete the review package, i.e., provide written answers to the questions, four to six weeks prior to the site visit.

<u>Contact the grantee</u>. The grantee is contacted seven to 14 days after the regional office sends the review package. This contact serves several purposes. It is a courtesy for the reviewer to introduce the team before arriving at the grantee's office. The reviewer can confirm that the agenda package arrived and ask the grantee if there are any questions about the items to be reviewed. The reviewers also can remind the

grantee to send the materials and written answers to the questions by the due date. The reviewers can obtain directions to the grantee's office and get advice on other necessary logistics, such as software compatibility and printer availability for printing the draft report.

Review grantee input and prepare draft report. The reviewer will examine the materials and written answers to the questions that the grantee submits. After completing this step, the reviewer will notify the grantee if any items require follow-up before the site visit. This may be necessary if the grantee did not submit all of the requested information and/or did not provide complete answers to the questions. After all the input provided by the grantee is reviewed, the reviewer will prepare as much of the draft report as possible.

Finalize site visit schedule. The reviewer will finalize the site visit schedule and a list of grantee/contractor facilities and subrecipients to be visited after reviewing the grantee's input. Reviewers will not visit a Section 5316 or 5317 subrecipient unless the subrecipient also receives other FTA funds. Any areas that do not require follow-up will be closed during the site visit. The reviewer will Indicate to the grantee which ECHO draws, procurements, equipment and facilities have been selected for examination during the site visit. The reviewer will email the review package with the final schedule and follow-up items to the grantee at least seven days before the site visit date.

Conduct the site visit. The following procedures will be conducted during the site visit:

- Conduct entrance conference. The site visit begins with an entrance conference with management and staff. The entrance conference consists of a reiteration of the purpose of the review, a discussion of the findings of the desk review, and a summary of the steps in the preparation of the draft and final reports. Regional office staff participate in the entrance conference either in person or by telephone. While senior staff is assembled at the entrance conference, the reviewer will go over the schedule for the site visit and confirm the expected time for the exit conference.

- Review each area. Following the entrance conference, the reviewer discusses the outstanding questions in each review area. At the end of the questioning, the reviewer may invite further questions from other members of the team. When the review of an area is complete, the reviewer will move on to the next area.

- Visit facilities and inspect records. The reviewer should have selected the grantee/contractor facilities to be visited in advance of the site visit. The reviewer will verify that facilities and equipment are in transit use, observe the condition of the facility and equipment, review preventive maintenance records for a sample of FTA funded revenue vehicles and facilities, and verify that the grantee has equipment control procedures. If the contractor administers FTA funded procurements on the grantee's behalf, contractor procurement files also will be reviewed.

- Visit management contractors/subrecipients and inspect records. The reviewer should have selected the contractor(s) and/or subrecipient(s) to be visited in advance of the site visit. The reviewer will verify that facilities and equipment are in transit use, observe the condition of the facility and equipment, review preventive maintenance records for a sample of FTA funded revenue vehicles and facilities, verify that the grantee has equipment control procedures, review procurement files and other documentation to confirm that the grantee has effective and comprehensive oversight procedures.

- Resolve open issues, if possible. At the end of the review, but prior to the exit conference, The reviewer will ask for answers to any remaining questions not yet resolved. Grantees may close deficiencies during the site visit. Deficiencies closed before an agreed upon deadline before the exit conference do not appear in the report. The deficiency and corrective action are documented in the review package.

- Complete the draft report and transmittal letter. At the end of the review but prior to the exit conference, reviewers will ask the grantee for answers to any remaining questions not yet resolved. Grantees may close deficiencies during the site visit. Deficiencies closed before an agreed upon deadline before the exit conference do not appear in the report, but will be documented in the review package.

- Receive input from regional staff. Reviewers will confer separately with regional staff about the findings in each area. Usually, the regional staff member on site will review the draft report and may sign a transmittal letter if one is to be issued. If no regional staff members are present at the site visit, the draft report and the transmittal letter is e-mailed to the region for approval before the exit conference.

- Conduct exit conference. The site visit concludes with an exit conference. The regional office staff participate in the exit conference either in person or by telephone. The reviewer will discuss each deficiency and the timeframe for corrective actions, review of the draft report (seven calendar days from the exit conference) and issuance of the final report (30 calendar days from the exit conference). Grantees should limit comments to corrections of misstatement of fact and a confirmation of or a request for an extension of the deadlines for the corrective actions. Corrective actions completed within the seven days will appear as closed the final report.

Distribute the draft report to program offices. As soon as possible after issuing the draft report, the reviewer will distribute the draft report to the designated contact in headquarters for deficiencies in the following areas:

- Financial
- Procurement
- Buy America
- Lobbying
- DBE
- Title VI
- ADA
- Charter Bus
- Safety and Security (all reports)
- Drug and Alcohol Program
- EEO

Prepare the final report. The grantee has seven calendar days to review the draft report and provide comments to the region and the reviewer. The regions have another seven calendar days to prepare comments for the review team. Within 14 calendar days of the site visit, the regional office should submit all comments on the draft report to the reviewer. If the grantee submits documentation to close a deficiency; the documentation will be reviewed and a course of action will be recommended to the regional office. Deficiencies closed within the seven days appear in the final report as closed. Any requests for additional time for a corrective action require approval by the regional office. The reviewers finalize the report within 21 calendar days of the site visit and transmit the final report file and cover letter to the region. Typically, the cover letter will be addressed to the chief executive officer. The regional office will issue the final report to the grantee within 30 days after the site visit.

Finalize the review package and files. Once the final report is issued, the review package is finalized and submitted to the regional office along with any files.

Provide technical assistance. Reviewers can provide technical assistance to the grantees to close deficiencies on an "as needed" basis for up to 90 days after the site visit. The triennial review contractor's project manager, with input from the reviewers, will coordinate with the regional staff to identify follow-up technical assistance needs and the timeframe.

Close out the review. The regional office is responsible for monitoring the implementation of and closing out deficiencies. After the 90-day period for technical assistance noted above, the regional staff will provide technical assistance to the grantee, if needed.

REVIEW PACKAGE, SOURCES OF DOCUMENTS, AND FILES

The triennial review package aids reviewers in the organization and completion of the work assignment and provides support for the findings made during the review. Packages are completed by reviewers electronically. The package should include the name of the reviewer, the dates that the site visit was conducted, and the sources of the information used to develop findings and conclusions. The package should include citations of documents found in the regional office and in the grantee's files. Although the grantee will be entering information into the package prior to the site visit, it is the reviewer's responsibility to vet this information so that it provides an accurate record of the review.

Supporting documents that are provided by the grantee in advance of the site visit or made available on site are organized into a folder for each area. The following table lists suggested documents by review area. The actual file contents will vary, depending on the size and complexity of the grantee.

File Name	Applicable Contents
1. Legal	- Authorizing Resolution - Delegation of Authority
2. Financial	- Capital and Operating Budget - Financial Statements for the Past Three Years - Three to Five Year Capital and Operating Financial Plan - List of ECHO Drawdowns examined - Audit reports with findings related to the grantee
3. Technical	- Organization Chart - Grant Management Procedures - Grant Close-Out Schedule - Cost-effectiveness Evaluation for Capital Leases
4. Satisfactory Continuing Control	- Sample of property leases - Excess Real Property Inventory/Utilization Plan - Sample of property records of federally funded equipment - Proof of inventory and inventory reconciliation
5. Maintenance	- Maintenance plans - Sample of maintenance requirements for contracted services (e.g., contracts and/or

File Name	Applicable Contents
	RFPs) - List of buses and rail cars for the PM inspection sample
6. Procurement	- Procurement policies - List of FTA procurements
7. DBE	- Proof of UCP Agreement - DBE complaints
8. Buy America	- Audit procedures, if applicable
9. Suspension/ Debarment	- None
10. Lobbying	- Standard form LLL updates
11. Planning/POP	- MPO Agreement - Public Participation Procedures - TIP/POP Public Notices - Planning process complaints
12. Title VI	- Service standards - Title VI complaints
13. Public Comment Process for Fare Increases and Service Reductions	- Procedures for Public Comment on Fare Increases and Major Service Reductions
14. Half Fare	- Fare structure description - Half-Fare Program Description
15. ADA	- Public information materials describing Complementary Paratransit service, eligibility, and appeals - Operating policies regarding ADA Paratransit trip reservations and scheduling - Performance reports, including on-time pickups, denial rate, no shows etc. - Procedures describing accessibility policies including stop announcements, lift use, etc.
16. Charter Bus	- Publication of Annual Notice - Charter Policy/Procedures
17. School Bus	- Bus schedules and/or system map
18. National Transit Database (NTD)	- Exemption/Waiver Letters, if applicable
19. Safety and Security	- Documentation supporting security expenditures
20. Drug-Free Workplace	- Drug-Free Workplace Policy - Correspondence/notification to employees
21. Drug and Alcohol Program	- Drug and Alcohol Program - Evidence of monitoring program
22. Equal Employment Opportunity (EEO)	- Organization chart - EEO Complaints
23. ITS Architecture	- Evidence of inclusion of projects in Regional Architecture
24. ARRA	- Reporting documentation

When submitting electronic files, grantees should create a folder for each review area, place all files for that area in the folder, and name the files according to the list of documents in the package. The following example shows the naming convention that should be used when organizing electronic files:

Example: Folder/File Naming Convention

Review Area/ Document	Folder/File Name
2. Financial	2_Financial
a. Capital and Operating Budget for the Current Fiscal Year	2a_FY10 Budget.doc
b. Financial Statements for the Past Three Years	2b1_FY09 FinStmts.doc
	2b2_FY08 FinStmts.doc
	2b3_FY07 FinStmts.doc
c. Three to Five Year Capital and Operating Financial Plan	2c_Financial Plan.doc

If a particular file is relevant to more than one area, either create a shortcut to that file or include a duplicate. Give the shortcut a name that corresponds to the list of documents in the site visit package as shown in the example above.

FRAUD DETECTION AND REPORTING

The Office of Inspector General (OIG) of the United States Department of Transportation works within the Department of Transportation to promote effectiveness and head off, or stop waste, fraud and abuse in departmental programs. This is done through audits and investigations. OIG also consults with the Congress about programs in progress and proposed new laws and regulations.

If a reviewer detects or becomes aware of fraudulent activities involving FTA grant funds during a triennial review, he or she will contact the FTA as soon as possible.